

# City of Detroit

## CITY COUNCIL

IRVIN CORLEY, JR.  
DIRECTOR  
(313) 224-1076

FISCAL ANALYSIS DIVISION  
Coleman A. Young Municipal Center  
2 Woodward Avenue, Suite 218  
Detroit, Michigan 48226  
FAX: (313) 224-2783  
E-Mail: [irvin@cncl.ci.detroit.mi.us](mailto:irvin@cncl.ci.detroit.mi.us)

ANNE MARIE LANGAN  
DEPUTY DIRECTOR  
(313) 224-1078

TO: COUNCIL MEMBERS

FROM: Irvin Corley, Jr., Director *ICJ.*

DATE: June 4, 2010

RE: Fiscal Analysis Division's Reaction to Mayor Bing's Veto Message Regarding City Council's Actions on Mayor Bing's proposed 2010-11 Budget

The Fiscal Analysis Division highly recommends that your Honorable Body override Mayor Bing's veto regarding your actions on his proposed 2010-11 budget for the following reasons.

1. **Fiscal feels Mayor Bing's prior year deficit estimate of \$85.5 million is understated by \$39 million.** This means the prior year deficit should be around \$124.5 million. Council's cuts to the budget of \$31.8 million increased the prior year's deficit from \$85.5 million to \$117.4 million, a more realistic number.

In particular, Fiscal did not receive sufficient information from the Administration supporting the receipt of \$20 million from the GDRRA/DTE Escrow Account, nor the anticipated recognition of \$13 million DDOT borrowed from the general fund to be paid back in fiscal 2009-10 from grant funds, to help address the deficit by June 30, 2010.

2. **\$48.7 million of the \$101 million Mayor Bing cut from the general fund budget in 2010-11 appears soft.** In general, Fiscal did not receive sufficient details supporting the following initiatives in the Mayor's proposed budget.

Item in question:	Amount	Additional Comment:
Collections of delinquent receivables	\$6,000,000	Not sure if there's sufficient delinquent property taxes available for collection.
Employee benefit reduction through hospital audit	\$12,000,000	Most of funds to come from ineligible dependents amongst uniform employees. Similar audits conducted in recent past.
Budget required furloughs	\$14,900,000	Largest civilian unions haven't settled yet. A layoff list has not been submitted.
Reducing contractual services	\$7,100,000	Reduction in security services, building maintenance, and miscellaneous contractual services not supported by details.
Reducing operating supplies	\$2,900,000	Reducing miscellaneous operating supplies, fuel, and repairs and maintenance not supported by details.
Inventory reductions	\$3,000,000	This is based on a 20% reduction in the carrying cost of inventory for DDOT, Police and PLD. Did not see sufficient details.
Risk management improvements	\$2,830,000	This is based on a 5% reduction in claims based on a claims review. Did not see sufficient details.
Total	\$48,730,000	

3. **Mayor Bing's \$85.5 million in "Restructuring and Consolidations" revenue lacks sufficient details.** According to the Administration, this "represents a number of initiatives that have not been completed for budget presentation but will be completed prior to the end of the fiscal year. It includes larger consolidations, some property sales or leases, additional cost savings and revenue generation". No details were provided by the Administration on these initiatives.
4. **Major revenues in Mayor Bing's budget are overstated by at least \$7 million.** In addition, the 2010-11 budgeted state revenue sharing amount of \$233.4 million is precarious, given the State's budget challenges.

Without question, Council took the bold stand to cut the 2010-11 proposed budget by another \$31.8 million, as an initial effort to eliminate the projected \$124.5 million deficit over a four-year period. Given the soft items identified previously in Mayor Bing's proposed budget, Council's cuts help to better address the City's structural deficit.

Mayor Bing in his veto message says that "you (Council) have proposed an additional \$31 million reduction with no apparent rationale or substantive data". But as indicated above, Mayor Bing fails to provide sufficient supporting data on a number of items as well. Council had no choice using an "across the board" approach since the Administration did not sufficiently respond to Council's request for detail on how any cuts made by your Honorable Body would impact service delivery in the various departments.

As a reminder, to address a \$300 million budget "hole" in Mayor Kilpatrick's proposed budget for 2005-06, Council used a similar approach used for this year's budget process to cut out approximately \$100 million in the general fund, a move well received by Wall Street and investors, which helped the City to sell \$1.4 billion in Participation of Certificates (POCs) to refinance the cost of the City's UAAL and save the City approximately \$600 million over the life of the POCs.

In addition, the City's cash flow position could be in a strenuous position by the fall of 2010, if the Mayor's proposed initiatives and revenue projections do not materialize as anticipated. Council's cuts to the budget help to mitigate this situation.

5. **Other problems with Mayor Bing's veto:**

- A. The Mayor opposes Council's total restoration of the Human Rights Department.
- B. The Mayor only **partially** restored or changed appropriations Council initially changed in Health, Information Technology, Mayor's Office, Non-Departmental, Planning and Development, Recreation, Administrative Hearings, and General Services. **Council needs to hear from Research and Analysis on whether or not the Mayor can legally do this.** It is our layman's understanding in Fiscal that the Mayor cannot partially veto a line item.
- C. The Mayor opposes Council's partial restoration of the Coleman A. Young airport in Non-Departmental and as a stand along enterprise agency.

6. For Council's edification, Mayor Bing chose not to veto:

- Council's transfer of funds back to the Mayor's Office to put back the mayoral assistant positions in the Mayor's Office.
- Council's separate appropriation of \$100,000 in Fire for safety equipment-fans and chainsaws.
- Council's restoration in the Board of Zoning Appeals.
- Council's changes to its own budget.
- Council's changes to Ombudsman's Office.
- Council's changes to City Clerk's Office.
- Council's changes to shift \$600,000 for the City's pilot recycling program.

cc: Council's Divisions  
Auditor General's Office  
Norman White, Chief Financial Officer  
Tom Lijana, Group Executive-Finance  
Pamela Scales, Budget Director  
Kamau Marable, Mayor's Office